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C O N F I D E N T I A L SECTION 01 OF 05 WELLINGTON 000140

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SUBJECT: DAS CHRISTENSEN'S MEETINGS WITH GNZ ON THE  
NZ-CHINA FTA, TIBET

REF: WELLINGTON 121

Classified By: Pol/Econ Counselor Margaret B. McKean; Reason 1.4 (b) and (d)

1. (C) Summary. During EAP DAS Christensen's April 7 visit to New Zealand, MFAT officials explained that the China-NZ free trade agreement (FTA) derived from New Zealand's concern over becoming marginalized in emerging East Asian trade relationships, coupled with China's willingness to enter into serious negotiations with New Zealand that could lead to the first Chinese FTA with an OECD country. GNZ officials agreed with DAS Christensen's observation on the continued utility in coordinating private messages to Beijing as a means of maintaining positive engagement with China on issues of shared interest in East Asia and the Pacific region. MOD officials downplayed growing military-to-military ties with China, noting that the exchanges and visits offer limited substance and insight. End Summary.

MFAT CEO Murdoch on NZ-China FTA: "A Strategic Decision"

2. (C) MFAT CEO Simon Murdoch, accompanied by MFAT Deputy Secretary John McArthur, Asia Division China Unit head Graeme

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Waters, and Americas Division Director Carl Worker, welcomed DAS Tom Christensen on April 7 by outlining their perspective on the China FTA. Murdoch placed the agreement in historic perspective, pointing out that New Zealand has been examining its regional trade relations since the mid-1990s in the context of trade liberalization talks within APEC. Three years ago, the troubled Doha Round discussions worried New Zealand, said Murdoch, and there were signs that an APEC-based trade agreement would not work. An ASEAN Plus 3 trade partnership appeared to be more promising, continued Murdoch, and that troubled New Zealand, which has a fear of being marginalized. At the same time, New Zealand has pursued bilateral FTAs with its major trading partners. New Zealand's efforts with other more developed nations in East Asia, he continued, have met with mixed success; New Zealand has concluded bilateral agreements with Australia, Thailand, and Singapore in the context of the P-4, but Japan and South Korea remain closed. New Zealand continues to discuss an FTA with ASEAN and Malaysia, noted Murdoch. However, when New Zealand pulsed the Chinese three years ago, emphasized Murdoch, there was more receptivity than New Zealand had anticipated. Given that China is one of New Zealand's most

important trading partners, Murdoch said that if the Chinese were interested, New Zealand needed to be interested and the negotiations got underway.

13. (C) DAS Christensen congratulated Murdoch on New Zealand's achieving the FTA with China, asking New Zealand's thoughts on the ASEAN Plus formulations. Murdoch responded that ASEAN Plus China, ASEAN Plus Japan, and ASEAN Plus Korea talks are making progress. A New Zealand Plus Australia Plus ASEAN formula is one that appeals to New Zealand, he noted. However, given China's interest in an ASEAN Plus agreement, New Zealand decided that it would be strategic to get in now.

John McArthur explained that the recently signed FTA with China was the fourth in a series of "firsts" for New Zealand; the first to sign a bilateral agreement on China's WTO admission, the first to recognize China's market economy status, and the first to launch free trade talks with China. Murdoch added that New Zealand's views on China mesh well with former Deputy Secretary Zoellick's notion of encouraging China to be a responsible stakeholder in the international community.

14. (C) Christensen said that USG policy on China is tracking well, although China as a responsible stakeholder remains an aspirational target rather than a reality. There have been positive shifts in China's position, he said, noting that there are long-term consequences when China makes statements on other countries' internal affairs and reconsiders its relationships with friendly governments. The Chinese have been very helpful on North Korea. On a range of issues, the US often would like more from China and believes that China is generally too patient with problem regimes. On Sudan, Christensen opined that China does not get the credit it deserves. China has gone from defending Khartoum to putting pressure on the Sudanese government. China now

WELLINGTON 00000140 002 OF 005

supports the three-phase UN plan, has pushed Sudan to move to the second phase and deployed 135 peacekeepers (of 315 promised) to Darfur -- the first non-African peacekeepers in Darfur. This constitutes real progress from China's position on Sudan in the summer of 2006, underscored Christensen. On Burma, China is not where the US would like it to be, he said, although Christensen acknowledged that UN special envoy Ibrahim Gambari likely would not have been granted access to Burma had it not been for the Chinese. The USG was disappointed in Gambari's December visit, which China tends to label all such engagement as progress and call for more patience in Washington. Christensen said Iran is an outlier in Chinese foreign policy; although China has signed three UNSCRs, China still pursues large economic deals and sells conventional arms to Iran. Iran is exporting instability in a part of the world of strategic value to the Chinese, summed up Christensen. We are trying to convince Beijing that its actions toward Tehran are not helpful to China nor to the international community.

15. (C) The MFAT CEO asked if the North Koreans may be stalling in the Six-Party Talks until there is a new US administration. DAS Christensen emphasized that if true, this would be a mistake. President Bush is fully supportive of the Six-Party Talks process and has an excellent and experienced team in place. If North Korea is serious about negotiating on this issue, the best time to do so is this year. Murdoch offered that the New Zealand Ambassador to South Korea makes periodic visits to North Korea and he would ensure a similar message is passed at the next opportunity. He noted that FM Peters went to Pyongyang late last year and would be willing offer ODA as a sign that countries like New Zealand would be willing to normalize relations with New Zealand if there were sufficient progress in the Six-Party Talks. Christensen responded that New Zealand's voice was important because there is an advantage to being a democracy outside the Talks that can provide an independent analysis. John McArthur said that New Zealand could also offer scholarship programs and exchanges for North Korean officials

to learn English. He reminded Christensen that many officials from the Vietnamese Foreign Ministry received English language training in New Zealand in the 1980s.

#### MFAT Roundtable

16. (C) MFAT Deputy Secretary John McArthur chaired a GNZ interagency roundtable with DAS Christensen, opening the meeting by characterizing the NZ-China FTA as the biggest step since the December 1972 establishment of diplomatic relations between the two countries. New Zealand's profile in China will be raised as a result, continued McArthur, and small countries like New Zealand need to take advantage of such opportunities in today's global environment. Following the signing of the deal the same day (April 7), said McArthur, the government will launch outreach events in New Zealand over the next several months to explain the agreement, address concerns, dispel rumors, and outline opportunities to New Zealand businesses. The next procedural step will be to forward the agreement to Parliament; with the two main political parties (Labour and National) supportive of the deal, it will go through, he added. New Zealand missions in key capitals have briefed counterparts in foreign trade offices in Washington, Canberra, Brussels, Seoul and Tokyo.

17. (C) DAS Christensen explained that, to appreciate US-China relations, it is important to look at the improvements in the relationship over time, and not as a snapshot. USG objectives are to shape China's choices -- both regionally and around the world. The USG is not, he emphasized, trying to contain China. Christensen rehearsed his earlier observations regarding specific countries (North Korea, Sudan, Burma, Iran), noting that China recently has shown a willingness on important occasions to move away from its policy of non-interference in the domestic affairs of friendly governments after seeing that such a policy does not always produce needed results for China's diplomacy.

18. (C) McArthur observed that Chinese economic growth is fueling military expenditures of a non-transparent nature, and asked DAS Christensen to comment on China's emergence as a military power in the region and implications for Taiwan.

WELLINGTON 00000140 003 OF 005

Christensen confirmed that the USG views with seriousness China's military buildup. China is developing forces that could pose challenges to other forward deployed forces, he said. We would like to know much more than we do about these deployments. Also unclear are the doctrinal shifts within the military that might be occurring as China acquires new equipment. The USG response is to keep our own presence and alliances strong, continued Christensen, while increasing military-to-military contacts and dialogue with China.

19. (C) Deputy Secretary McArthur said that China has been courting New Zealand in its military relations, offering language training for New Zealand defense attaches, contacts at the Ministerial level, and exchange of ship visits. Such contacts date to the late 1980s, but New Zealand is approaching China in a "clear eyed" sort of way, explained McArthur, recognizing China's size but also the potential for Chinese behavior to "become ugly." It makes sense for New Zealand to have contacts and remain plugged in, the Deputy Secretary continued, not that New Zealand necessarily sees a

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role for itself. Christensen observed that New Zealand has had some genuine Chinese warfighters visit New Zealand and not just the respectable faces Beijing deploys to western countries. McArthur responded that China uses Australia and New Zealand as a "testing ground" for such visits.

10. (C) Moving to Taiwan, McArthur asked DAS Christensen to discuss next steps for Taiwan in its relations with Beijing.

Christensen observed that the recent Taiwanese elections provide the potential for a return to positive momentum in areas such trade and tourism, and a degree of relaxation on the mainland could manifest itself. The Taiwanese public rejected the referendum on applying to the UN under the name Taiwan, which should reduce the military threat to Taiwan, and could make it possible for the United States and like-minded states to push more effectively for greater space for Taiwan in international organizations. In response to a question as to how well China understands the countervailing forces in Taiwan, Christensen said that there are some mainland officials who understand Taiwan much better than they used to. John McArthur allowed that the Chinese Ambassador in Wellington came in on instructions following the March 22 election of Ma Ying-jeou. Although the Ambassador gave a reasonably stolid representation, said McArthur, Beijing was clearly relieved at the results. One of the key points centered on China's continuing concern about the outgoing regime. Christensen said that the USG position to Beijing regarding the recent Taiwanese elections is that it is best for China to simply wait out President Chen Shui-ban's administration and to focus on the future administration in Taiwan. The USG message is that Beijing's continued squeezing of Taiwan in the international arena only leads to a more confrontational response by Taiwan's public.

¶11. (C) With respect to the Pacific Islands, MFAT's Stuart Horne noted that, with 8 countries recognizing Beijing and 6 countries linked to Taiwan, the battle lines are pretty evenly drawn. China's objective is to limit Taiwanese space in the Pacific and a few million dollars can make a huge difference in countries where the population may be in the several tens of thousands of people. McArthur added that China wants to be seen as a credible player in the Pacific, and New Zealand tries to move Beijing to follow the Paris Principles with respect to aid and development. The increased numbers of mainland Chinese and Taiwanese in the region have added to tensions, particularly in the Solomon Islands, he added, but at least China recognizes that is acceptable to have a conversation on their role in the Pacific. In addition to China and Taiwan, however, Cuba and Venezuela have entered the picture, remarked McArthur.

¶12. (C) DAS Christensen offered that the USG does not get involved in the sovereign state debate but cares very much about its effect on undermining governance in the region; Undersecretary Henrietta Fore is planning to visit Beijing to engage with the Chinese on assistance issues. The USG would like China to accept the Paris Principles and work cooperatively with multilateral institutions, added Christensen. China is not well-organized internally on foreign assistance and has a multitude of actors; the MFA is not in the lead.

¶13. (C) Deputy Secretary McArthur briefed DAS Christensen

WELLINGTON 00000140 004 OF 005

on recent discussions between New Zealand and China on Tibet. He noted that had it not been for the deaths in Lhasa, the signing of the NZ-China FTA and associated bilateral dialogue might have gone reasonably smoothly. There was strong pushback from the Chinese following the New Zealand Parliamentary statement in which the Chinese used very personal language against the PM. The GNZ did not publicize it, but MFAT called in the Chinese Ambassador to underscore New Zealand's unhappiness. Christensen offered that the problem will persist until the Olympics unless Beijing decides to take positive action by reaching out to the Dalai Lama and having discussions on religious freedom and greater Tibetan autonomy. The Dalai Lama actually has met all of Beijing's conditions: he has consistently stated that he does not pursue independence, and he has rejected violence repeatedly, said Christensen. McArthur noted that the Chinese have demonized the Dalai Lama in a very public way, which makes it difficult to enter into a dialogue with him.

¶14. (C) DAS Christensen and MOD CEO and Secretary John McKinnon (a former New Zealand ambassador to China) had a useful exchange on New Zealand's mil-to-mil relationship with China. McKinnon said that there is a certain amount of "defense diplomacy" but he's not certain it amounts to much substance nor provides great insights. Generally, the Chinese approach New Zealand in tandem with Australia, he said, and there are two types of mil-to-mil contacts: high-level visits by military leaders as well as conventional visits such as the Chinese ship visit of last year. New Zealand and China participated in a search and rescue exercise in the Tasman Sea with Australia; it was not of profound importance, observed McKinnon, but the fact that it took place at all was significant. Most of the senior GNZ defense officials have been to China but the Secretary characterized these as standard tours. That said, GNZ contacts promote confidence building and provide an opportunity for New Zealand to press China on transparency issues, but McKinnon stressed that he would hesitate to say that there's more to the mil/mil relationship than that. China's ability to mix with other countries more readily suggests a growing confidence level. He added that the People's Liberation Army has asked New Zealand to send "more operational" people on staff exchanges; China is sending staff-level officers so New Zealand is expected to reciprocate. McKinnon added that due to personnel limitations, a GNZ response will be incremental.

¶15. (C) The US faces the same issue, noted DAS Christensen, who added that the Chinese sent to the US often speak in the abstract; the conversation is too one-sided as the Chinese always want to quiz US operators on practicalities. The USG is trying to establish better and more reciprocal mil-to-mil linkages, remarked DAS Christensen, who informed the MOD official that the US would start a nuclear dialogue with China focused on the historical lessons of crisis management involving nuclear powers; there would be no weapons-specific discussion in this dialogue. The US also conducts exercises with the Chinese, and Christensen mentioned recent search and rescue operations in the South China Sea as well as off the western US coast.

¶16. (C) McKinnon offered that the high-level Chinese military visits are carefully calibrated, and Chinese officials say what they are permitted to stay within certain parameters -- there is not great insight as a result but occasional frankness, he added. DAS Christensen observed that some of the Chinese military officials to visit New Zealand have been military leaders with operational portfolios and genuine military knowledge. He added that recent visits to China by senior PACOM officers have resulted in entry to some new sites and submarines, as well as agreement to establish a defense hotline. McKinnon asked about Chinese reaction to the Pentagon's annual white paper on Chinese military capability. Christensen responded that the reaction is always vitriolic, but expected by Washington; the Chinese realize that it is a Congressionally mandated report and that we have no choice but to provide one on schedule.

WELLINGTON 00000140 005 OF 005

¶17. (C) McKinnon asked about the spectrum of views within Washington regarding China policy. Christensen said that within the interagency, there is good consensus that the USG needs to remain prudent and cautious; accusations that the USG is trying to contain China are erroneous. Maintaining USG military strength is one factor in shaping China's choices and is not at all at odds with the engagement strategy. McKinnon said that New Zealand's mil-to-mil relations with Japan are also improving. DAS Christensen noted that China is concerned about encirclement, so pursues



more improved bilateral relations with Korea, India, and Japan. Any perceived enhancement of GNZ-GOJ relations will likely spur the Chinese to respond in kind to the Japanese, offered Christensen, so New Zealand can play a positive role in encouraging better Sino-Japanese relations by improving its own relationship with Japan.

¶18. (C) Responding to questions on Tibet, Christensen emphasized the importance of like-minded countries sending similar private messages to Beijing, although he estimated a 20-30 percent chance of success in moving the Chinese government towards a constructive dialogue with the Dalai Lama. Christensen characterized Beijing's vilification of the Dalai Lama as a public relations nightmare. Some Chinese academics who are politically well connected with Chinese authorities understand the situation; others, however, are unaware of the Dalai Lama's position on Tibetan issues because they have only heard the Beijing propaganda, remarked Christensen. DAS Christensen allowed that the Chinese had exercised some restraint in handling the riots in Lhasa, using water cannons and armored personnel carriers instead of sending in tanks. Moving the Chinese to successfully address this issue in the lead up to the Olympics will be a challenge, both DAS Christensen and McKinnon agreed.

Comment

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¶19. (C) Despite the absence of a number of GNZ officials who had traveled to Beijing for the NZ-China FTA signing, DAS Christensen nevertheless had a useful set of meetings, and addressed an audience hosted by the New Zealand Institute for International Affairs (NZIIA). GNZ interlocutors greatly appreciated Christensen's overview of US policy towards China. GNZ views track well with our own, and New Zealand officials agree that an engaged China is more likely to play a positive role in the Pacific region as well as in global affairs. To that end, they will continue to be willing partners in coordinating messages to Beijing on a range of issues, and New Zealand's new trade status with China ensures their voice is heard. GNZ officials are realistic, however, as to how much weight is accorded to their views, but see engagement as the best means of potentially influencing Chinese actions. All DAS Christensen's interlocutors underscored a strong desire for the USG to play a role in the East Asia Summit (EAS), to which Christensen responded by noting that USG engagement remains strong in the region and that the USG will continue to look for practical ways to engage diplomatically with regional actors. End Comment.

¶20. (U) DAS Christensen has cleared this message.  
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